

FISCAL IMPACT STATEMENT ON BILL NO. **S.49**

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| TO: | The Honorable David Thomas, Chairman, Senate Banking and Insurance Committee | | |
| FROM: | Office of State Budget, Budget and Control Board | | |
| ANALYSTS: | Kenneth Brown, Allan Kincaid, Kate Billing, Harry Bell | | |
| DATE: | February 7, 2005 | SBD: | 2005159 |

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| AUTHOR: | Senator Hayes | PRIMARY CODE CITE: | 38-71-290 |
| SUBJECT: | Health Coverage for Alcohol and Substance Abuse, Mental Illness | | |

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
\$0 (No additional expenditures or savings are expected)

BILL SUMMARY:

The Bill would require health insurance plans to provide coverage for treatment of mental illness or alcohol or substance abuse, allow a plan to provide coverage through a managed care organization, establishes treatment conditions to qualify for coverage and require the Department of Insurance to report to the General Assembly on the fiscal impact.

EXPLANATION OF IMPACT:

Department of Insurance

The Department indicates that to comply with the reporting requirements of Section 2 would require \$175,000 in additional state funds. Funds would be used to contract out the reporting activity required by item (3) if Section 2.

State Budget and Control Board (Board)

The proposed Bill is a mental health parity Bill for the general insurance population plus all public employer-sponsored health plans similar to the mental health parity Bill, Act 341 of 2000, in force for the State Health Insurance Plan from 2002 through 2004. Act 341 expired effective January 1, 2005, however, the plan's parity policy remains in effect. To the extent the proposed Bill or the Department of Insurance does not place any mandates beyond what is included in the State Health Plan, there would be no additional fiscal impact on the General Fund of the State or on Federal and other funds. For Plan years 2001, 2002 and 2003, the Plan incurred approximately \$31.5 million, \$41.8 million and \$47.3 million, respectively for expenses related to mental health.

Department of Health and Human Services (DHHS)

There would be no impact to DHHS per Section 1 (F) (2), specifying that "the provisions of this Bill do not supersede the provisions of federal law, federal or state Medicaid policy, or the terms and conditions imposed on a Medicaid waiver granted to the State for the provision of services to individuals with mental health or substance abuse disorders."

LOCAL GOVERNMENT IMPACT:

To the extent the proposed Bill does not place any mandates beyond what is included in existing plans there is no impact on localities. However, if the Bill places additional coverage responsibilities on local plans there would be an impact on premiums.

SPECIAL NOTES:

A review of this Bill by State Budget and Control Board staff indicates that to avoid any potential liability to the State Health Plan that the Bill be amended to include the following language in Section 1(A)(3)(C): "The plan of benefits and management of mental health services in force in the State Health Plan for calendar years 2002 through 2005 is in compliance with the intent of this legislation"; or carve out the State Health Plan from this Bill and propose separate legislation that amends Title 1 relating to the State Health Plan.

Approved by:

A handwritten signature in black ink, appearing to read "Don Addy". The signature is fluid and cursive, with a large initial "D" and a stylized "A".

Don Addy
Assistant Director, Office of State Budget